

MESSAGE FROM THE ADMINISTRATOR

For more than half a century, Southwestern Power Administration (Southwestern) has been providing environmentally clean hydroelectric power to its customers at some of the lowest rates in the nation.

Electric utility industry restructuring has brought competition to the wholesale market. What the restructured industry will ultimately look like is uncertain, but like most industries in transition, reliability and competitiveness will be key to survival.

Many utilities including Southwestern have downsized to remain competitive in this new industry structure. While this action results in immediate cost savings, it also presents new challenges in the retention of corporate knowledge and the recruitment of future leadership and technical positions. Staffing plans must play an important role when making decisions in support of any strategic planning efforts.

Southwestern pledges to continue to provide reliable energy and service to its customers at the lowest possible costs consistent with sound business practices.

Southwestern's strategic plan takes us into the 21st Century. This plan defines our vision and strategic goals, and sets forth clear performance measurements to monitor our progress.

I look forward to working with the employees of Southwestern, the Department of Energy, and our Customers and Stakeholders to make this plan a reality.

Michael A. Deihl

The availability of reliable, reasonably priced energy is important to the Nation's prosperity. Trends indicate continued growth in the demand for reliable energy for the foreseeable future. Southwestern has an important role to play in providing the public with clean, environmentally safe, hydroelectric energy.

STRATEGIC GOAL #1

Market and deliver all available hydroelectric power from U.S. Army Corps of Engineers (Corps) dams while balancing power needs with the diverse interests of water resource users.

OBJECTIVE 1

Assure all power and energy is marketed with preference to public bodies and cooperatives.

PERFORMANCE MEASUREMENT

Market 100 percent of firm capacity and associated energy to public bodies and cooperatives in accordance with Southwestern's marketing plan.

OBJECTIVE 2

Provide economic benefits to the region while assuring repayment of the Government's costs.

PERFORMANCE MEASUREMENT

Exceed \$400 million in regional economic benefits under average water conditions.

OBJECTIVE 3

Provide environmental benefits by reducing the use of non-renewable resources.

PERFORMANCE MEASUREMENT

Save 9.2 million barrels of oil, 2.7 million tons of coal, or 56 billion cubic feet of gas under average water conditions through hydropower generation.

OBJECTIVE 4

Ensure the security of and enhance information technology management systems needed to meet Southwestern's mission goals.

PERFORMANCE MEASUREMENT

- Streamline the process for review, development, and implementation of new information management systems.
- Refine cyber security plan, review risk assessment for threats and develop countermeasures.

Reliability means consistent, ongoing service on demand throughout the year to Southwestern's electric power customers. To meet customers' expectations, Southwestern must operate its system in ways that assure a high level of reliability, safety, and cost effectiveness.

STRATEGIC GOAL #2

Operate and maintain a Federal transmission system to assure reliability of the system while meeting utility safety standards and encouraging competition through open access to facilities.

OBJECTIVE 1

Provide reliable deliveries of electric power to customers.

PERFORMANCE MEASUREMENT

Achieve a System Average Interruption Duration Index (SAIDI) of not more than 150 minutes of total preventable outages per year.

OBJECTIVE 2

Operate the electric system to assure efficient matching of generation-to-load.

PERFORMANCE MEASUREMENT

Achieve a power system control area compliance rating of "pass" using the North American Electric Reliability Council performance standard.

OBJECTIVE 3

Operate and maintain the transmission system safely.

PERFORMANCE MEASUREMENT

Maintain a safety record of lost time injury frequency rate lower than the industry average.

OBJECTIVE 4

Foster stronger partnerships with customers and other stakeholders to determine priorities and solutions.

PERFORMANCE MEASUREMENT

Participate in Southwest Power Pool (SPP), Independent System Operator/Regional Transmission Organization (ISO/RTO) development, Corps joint action agreements, and various regional interest groups consistent with Southwestern's mission.

Southwestern has a statutory and administrative requirement to repay the U.S. Treasury for the Federal investment in its hydroelectric power system. To this end, Southwestern will continue to develop ways of using its assets to increase revenues.

STRATEGIC GOAL #3

Maximize the use of Federal assets to repay the investment (principal and interest) as well as operation and maintenance costs of the Southwestern Federal power system.

OBJECTIVE 1

Assure that the Government's hydropower costs are repaid according to sound business practices.

PERFORMANCE MEASUREMENT

- Perform annual Power Repayment Studies to assure that the cumulative status of repayment remains on schedule.
- Achieve a debt service coverage ratio of 1.0 based on average water conditions.
- Increase by two percentage points the ratio of cumulative principal payments to Federal investment based on average water conditions.

OBJECTIVE 2

Develop new sources of revenue and/or cost savings through providing new services and/or partnering with other utilities to jointly share costs of needed facilities.

PERFORMANCE MEASUREMENT

Achieve additional revenues and cost savings.

OBJECTIVE 3

Develop staffing resources to avoid the loss of technical and leadership expertise.

PERFORMANCE MEASUREMENT

- Establish developmental positions
- Train existing staff to minimize loss of corporate expertise and leadership.

RESOURCE REQUIREMENTS

Southwestern can only achieve its goals and objectives with adequate financial, human and technical resources.

As an industry in transition we will work with the Department and Congress to secure financial resources that will adequately fund the personnel and technical resources needed to carry out our mission.

PROGRAM EVALUATION

Program evaluations are conducted by Southwestern for its own benefit, and the benefit of customers and stakeholders. Annual program reviews are a part of the ongoing strategic planning process and the annual performance plan which is submitted with the budget.

KEY EXTERNAL FACTORS

The electric utility industry is highly technical, complex and competitive. Hydropower represents one of the most environmentally clean and safe sources of electric energy. There are several factors beyond Southwestern's control that could significantly affect the achievement of strategic goals.

These factors include:

- The amount of rainfall
- Regulatory actions that have far-reaching impacts on the electric utility industry
- Control of power generation equipment by the U.S. Army Corps of Engineers, including water release requirements, and the allocation of equipment costs and services which impact the costs Southwestern must recover through its rate structure
- Demand for energy and market pricing

STAKEHOLDERS

Stakeholders are organizations which affect or are affected by the products and services Southwestern provides.

They are:

- Customers
- The Department of Energy
- Federal and contract employees
- Congress and the American public
- The utility industry
- Water resource interests
- The U. S. Army Corps of Engineers
- The Office of Management and Budget
- Other Federal agencies

CORPORATE VALUES

- We believe our employees are our most important resource
- We meet our financial obligations to the American public
- We give customers' power needs top priority
- We provide the American public responsible stewardship of the nation's water resources
- We treat everyone as a customer with courtesy, respect, and honesty, while recognizing individual needs
- We meet expectations for quality, costs, and schedules, using good business practices
- We help each other develop professionally
- We maintain a safe and productive work environment

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SOUTHWESTERN POWER ADMINISTRATION STRATEGIC PLAN - MAY 2000

MISSION STATEMENT

Southwestern Power Administration's mission is to market and reliably deliver Federal hydroelectric power with preference to public bodies and cooperatives. This will be accomplished by maximizing the use of Federal assets to repay the Federal investment while balancing power needs with the diverse interests of other water resource users, and implementing public policy.

SOUTHWESTERN'S VISION

Southwestern has an open and trusting partnership with its customers in meeting their business expectations for operation of the Federal hydropower system and with the American public in meeting its financial obligations while providing good stewardship of regional water resources. The Southwestern work force is cost-conscious, team-based and empowered to meet customer expectations.

